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Gain Capital Expands Offering, Introduces Managed Account Program

WARREN, N.J.—Gain Capital has extended its service and now offers a managed-account program for clients that want to outsource management of their foreign exchange portfolios. The forex trading firm also recently introduced support for trading of additional currency pairs and currency options.

The managed-account program is one of a series of services the company is adding to attract and keep clients ahead of the launch of two high-profile Internet FX trading services, each backed by bank consortia. FXall, a consortium of 14 global banks, says it will launch FX trading in the first quarter of 2001. Rival service Atriax, which is owned by Citibank, Chase Manhattan Bank, Deutsche Bank and Reuters, will launch trading in the second quarter of 2001.

Mark Galant, chief executive officer of Gain Capital, says that banks trading FX on Atriax and FXall will initially target the large corporate market. But he expects them eventually to turn to the small-to mid-sized business market—Gain's target clientbase—as online FX trading reduces FX margins and profitability. "Some banks will want to go after smaller customers, but we've been trading for six months now, and [when Atriax and FXall

start trading] we will have the advantage of being a first mover with a loyal client base," he says.

It is possible that Gain Capital will expand its customer base in the opposite direction, targeting larger institutions with a possible "white-label" offering, says Galant. But he remains very loyal to Gain Capital's core group of customers, saying, "There are a 100 times more smaller firms than there are larger institutions out there."

Galant won't be specific about volumes on the system, but does point out that Gain Capital reached \$100 million a day transacted through its system after only three weeks of operation and says that the average is even higher now.

It has been necessary, Galant says, during the first six months of operation for Gain Capital to get its clients comfortable with using the system. Now that a desired comfort level has been reached, he says "we're going to add all the extra bells and whistles." Those "extras" include increased support for additional currency pairs, bringing the total supported to 20; the addition of currency options trading functionality, which should be available within three months; and the introduction of the managed-account program.

The managed-account program

will target customers who want to trade currencies but lack the necessary knowledge and time to make successful FX transactions, says Galant. "It's a natural extension of our current service—we already have the traders and the infrastructure," he says.

Gain Capital's team of 12 forex traders in New Jersey will trade on behalf of clients who opt to use the service. The team is managed by head of sales and trading Glenn Stevens. Gain Capital will charge a 2 percent management fee on each account (determined by the account's size) and a 20 percent commission on profits from successful FX transactions. The minimum size of a managed account is \$25,000.

Gain Capital is also in talks with several unnamed banks over investment in the company's second round of financing, which should be completed by early 2001, says Galant.

Banks holding equity in Gain Capital would then become preferred liquidity providers for Gain Capital's forex trading site, says Galant. The service currently deals with only six banks. "We would rather be a better client with fewer banks than a small client with a lot of banks," says Galant.

—Nikki Marmery and Jed Hamilton